

TENNESSEE HOUSING DEVELOPMENT AGENCY
BOARD OF DIRECTORS
NOVEMBER 10, 2005

Pursuant to the call of the Chairman, the Tennessee Housing Development Agency Board of Directors met on Thursday, November 10, 2005, at 1:00 P.M. in the 12th Floor Training Room, Parkway Towers, Nashville, Tennessee.

The following members were present: Robyn Askew, Bill Bruce, Gerald Reed for Riley Darnell, Peter Abernathy for Dave Goetz, Winston Henning, Loretta Jercinovich, Eddie Latimer, Ann Butterworth for John Morgan, Alvin Nance, Sharon Reynolds, Janice Cunningham for Dale Sims, and Carl Tindell.

The following members were absent: Tim Bolding, Bob Cooper, Gerald Konohia, Tom Mottern Ralph Perrey, Tim Pettus, Brad Rainey, and Jackie West.

Chairman Latimer called the meeting to order. He welcomed Ted Fellman in his new role as Executive Director. Chairman Latimer then opened the floor for public comment. There were no public comments.

The first item on the agenda was approval of the September 25, 2005, meeting minutes. Upon motion by Ms. Reynolds, seconded by Mr. Nance, the minutes were approved as distributed.

Chairman Latimer asked Mr. Fellman to give the staff recognitions. Mr. Fellman introduced three new senior staff members. Alice Williams was recently hired to be the Agency's Chief Financial Officer. Coralee Holloway was promoted to Director of Community Programs and Cheryl Jett was promoted to Director of Contract Administration. Mr. Fellman next presented 5-year service award certificates to Mary McLennan, Chief of Planning in the Research, Planning and Technical Assistance Division, and Jana LaPeer, who works with the Section 8 Voucher Program in the Division of Rental Assistance. He presented a 10-year service award certificate to Charmaine Duncan, Section 8 Coordinator in the Division of Contract Administration, and a 15-year service award certificate to Lynn Miller, Deputy Executive Director for Policy Development and General Counsel. A 20-year service certificate was presented to Wayne Beard, Director of Finance. Mr. Fellman noted that all 20 years had been with the Agency and Mr. Beard is only the second Director of Finance in the history of the Agency. Mr. Fellman announced two 25-year service award certificates. The first was to Vickie Dearborn, in the Executive Division, who was recently promoted to Assistant Human Resource Manager. The second was to Liz Harvey who has been with the Agency all 25 years, and after working in several divisions in the Agency, is currently the Housing Assistance Payment Coordinator in the Division of Contract Administration.

Chairman Latimer said the Monthly Board Report was the next item on the agenda. There were no comments or questions from the Board members.

Next on the agenda was the report of the Bond Finance Committee. Chairman Latimer stated the Committee recommended Board approval of \$5 million to fund the New Start Program for 2006. Board action is being deferred until the report of the Policy & Programs Committee.

Chairman Latimer asked Ms. Butterworth to report on the presentation on variable rate debt. She said David Amsden, with Kutak Rock, the Agency's bond counsel, and Bob Detjen, with CSG Advisors, the Agency's financial advisor, gave a presentation at Bond Finance Committee meeting regarding use of variable rate debt in THDA bond transactions for the purpose of lowering cost of the debt and, ultimately,

interest rates for THDA borrowers. The Committee did not take any action. Ms. Butterworth said she would share details with anyone who was interested.

Lynn Miller, Deputy Executive Director for Policy Development and General Counsel, said the Agency issued and sold bonds at the end of October 2005 in the amount of \$100 million for the single family program. The transaction was a negotiated sale led by UBS Financial Services. Merrill Lynch and Morgan Keegan participated also. Due to the efforts of the underwriters and selling group, the Agency was able to achieve an overall cost of debt of 4.79%. As a result, the Agency's interest rates increased, on November 1, 2005, to 5.30% for the Great Rate program and 6.30% for the Great Start program. Ms. Miller said a document called an "Official Statement" was produced in conjunction with the bond sale. She said the Official Statement describes activities of the Agency, contains financial information about the Agency and information about the mortgage loan portfolios. Board members have some responsibility for looking at the Official Statement and asking questions as well as an obligation for reporting anything that looks amiss. She made copies of the most recent Official Statement available to Board members for their review.

Chairman Latimer called for the report of the Policy & Programs Committee next. Mr. Nance said the first item considered by the Committee was the 2006 Multifamily Bond Program Description ("2006 Program Description"). The recommended 2006 Program Description includes the following changes from the 2005 program:

1. Part I-E: limit on total cost per unit was increased to \$110,000 in all counties.
2. Part II-A: total amount of multifamily tax-exempt bond authority for 2006 is \$150,000,000.
3. Part VII-B: language was added to create a separate scoring section for new construction and for rehabilitation. Maximum points available remain at 35 points either for new construction or for rehabilitation.

Mr. Nance said the Committee discussed concerns expressed to staff by program participants that this change will reduce the demand for rehab under the bond program. The Committee recommended removing the language "not involving rehab" in paragraphs A, B and C and authorized staff to make any other wording changes needed to conform.

4. Part VII-C-3: language was added to clarify that if an election is made under the bond program description to reserve 20% of the units in a development for households at or below 50% of area median income, than that is the same election that must be made in a non-competitive housing tax credit application.

Upon motion by Ms. Reynolds, seconded by Mr. Bruce, the Board approved the 2006 Program Description as recommended by the Policy & Programs Committee. Mr. Henning abstained from the vote.

Mr. Nance said the Policy & Programs Committee also considered the New Start Program for 2006 ("2006 New Start Program"). The Committee discussed two changes recommended by staff. The first change is to remove the dollar cap and set the maximum loan amount to be equal to 75% of the appraised value of the property. Staff also recommended changing the maximum household income limit to allow the 0% interest rate for households with income at or below 60% of the statewide median income and an interest rate equal to one-half of the Great Rate interest rate for households with incomes between 60%-70% of the statewide median income. Mr. Fellman stated that, currently, one-half of the Great Rate interest rate would be an interest rate of 2.65%. If the Great Rate interest rate changed, the interest rate

for the 2006 New Start Program would be adjusted accordingly. He said staff recommended the changes in response to comments from the Agency's not-for-profit partners. The New Start program is serving the very low income across the state but with the recommended changes, the partners can utilize the New Start program in conjunction with other programs, such as the Section 8 Housing Voucher program. Mr. Fellman introduced Ms. Julia Arik, the Senior Research Analyst in the Division of Research, Planning and Technical Assistance, who prepared the detailed analysis about the New Start Program which was included in the Board packet.

Following discussion and upon motion by Ms. Jercinovich, seconded by Ms. Butterworth, the Board approved the 2006 New Start Program as recommended by the Policy & Programs Committee, funding of \$5 million as recommended by the Bond Finance Committee and extended the New Start Program until December 31, 2006. Mr. Nance, Mr. Latimer and Mr. Henning abstained from voting.

Chairman Latimer asked Mr. Reed to give the Grants Committee report. As directed by the Committee at its September meeting, staff reviewed the impact of proposed changes to the allocation process for the 2006 HOME Program. Since a change in the allocation process did not achieve a wider distribution of HOME funds across the state, the only change to the 2006 HOME program recommended by staff is to increase soft costs for inspections and work write-ups from 5% to 7%. The percentage has not been adjusted since 1993 and the recommended increase is more in line with the true costs to perform the inspections and write-ups. Mr. Reed noted that Lorrie Shearon, Director of Research, Planning and Technical Assistance, presented a HOME Program Beneficiary Report. Her staff did a good job compiling statistics to provide a profile of the HOME Program beneficiaries. Mr. Reed said, as a result of the presentation, the Committee asked staff to seek ways to increase the outreach to minority and underserved populations. The Committee left it to the staff's discretion on how to incorporate increased outreach in the 2006 HOME program description and application. Upon motion by Mr. Reed, seconded by Ms. Askew, the Board increased the soft cost inspections and work write-ups from 5% to 7% for the 2006 HOME Program.

Mr. Reed said the Committee also considered staff's recommendation regarding the USDA Rural Repair Program. USDA Rural Development requested that the Agency continue funding the joint house repair program for very low income families. Staff's recommendation was to continue the Agency's partnership with USDA Rural Development with an additional allocation of \$500,000 and to extend the current Memorandum of Understanding for one year effective January 1, 2006. Upon motion by Mr. Reed, seconded by Mr. Tindell, the Board approved staff's recommendation to continue the USDA Rural Repair Program. Ruth Tackett, State Director of the USDA Rural Development, expressed USDA's appreciation for THDA's support of the program. She said by leveraging state dollars with federal dollars, the program is assisting predominantly elderly citizens to do needed repairs so they can stay in their homes. Over 90% of the citizens served are elderly and approximately 30% are minority families.

Chairman Latimer reported on the Legislative Committee meeting. This Committee was created earlier this year to provide a way for the Board to address policy issues that may come up as bills are introduced in the legislature. He said Mr. Fellman briefed the Committee on how Mr. Fellman intends to increase the Agency's visibility with the legislature. Mr. Fellman said staff will provide information to Board members to assist them in their communications throughout the legislative session.

Next on the agenda were other matters for the Board. Chairman Latimer said it is a statutory requirement for the annual election of the vice chair and November is the month designated for the election. Upon motion by Chairman Latimer, seconded by Mr. Reed, Bill Bruce was elected vice chair by acclamation.

Chairman Latimer thanked the Board members who attended the Governor's Housing Summit. The Governor was impressed by the number of Board members present at the Summit. He also thanked Lorrie Shearon, Toni Harris and the other staff members of the Research, Planning and Technical Assistance Division for their work in making the Summit a success. Mr. Reed expressed appreciation to Chairman Latimer for his leadership role in pushing for the conference to take place and for getting the Governor's involvement.

Mr. Nance reported that the Black Caucus Housing Committee has worked with Agency staff on the wealth building task force. Several Board members serve on the task force. He said the task force objective was to create 75,000 new homeowners among the African-American community over the course of the 10-year program. The Black Caucus retreat will be held later in the month at the Paris Landing State Park.

There was no further business to come before the Board and the meeting adjourned.

Respectfully submitted,

Ted R. Fellman
Executive Director

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